

The Audit Plan for Gloucestershire County Council

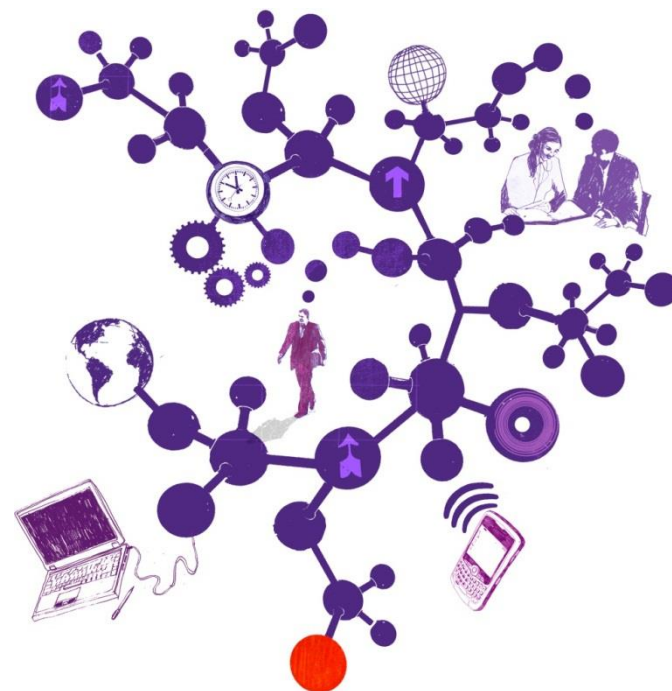
Year ended 31 March 2014

12 March 2014

Liz Cave
Engagement Lead
T 0117 305 7885
E liz.a.cave@uk.gt.com

Peter Smith
Audit Manager
T 0117 305 7832
E peter.w.smith@uk.gt.com

Paul Benfield
Executive
T 0117 305 7894
E paul.m.benfield@uk.gt.com



The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

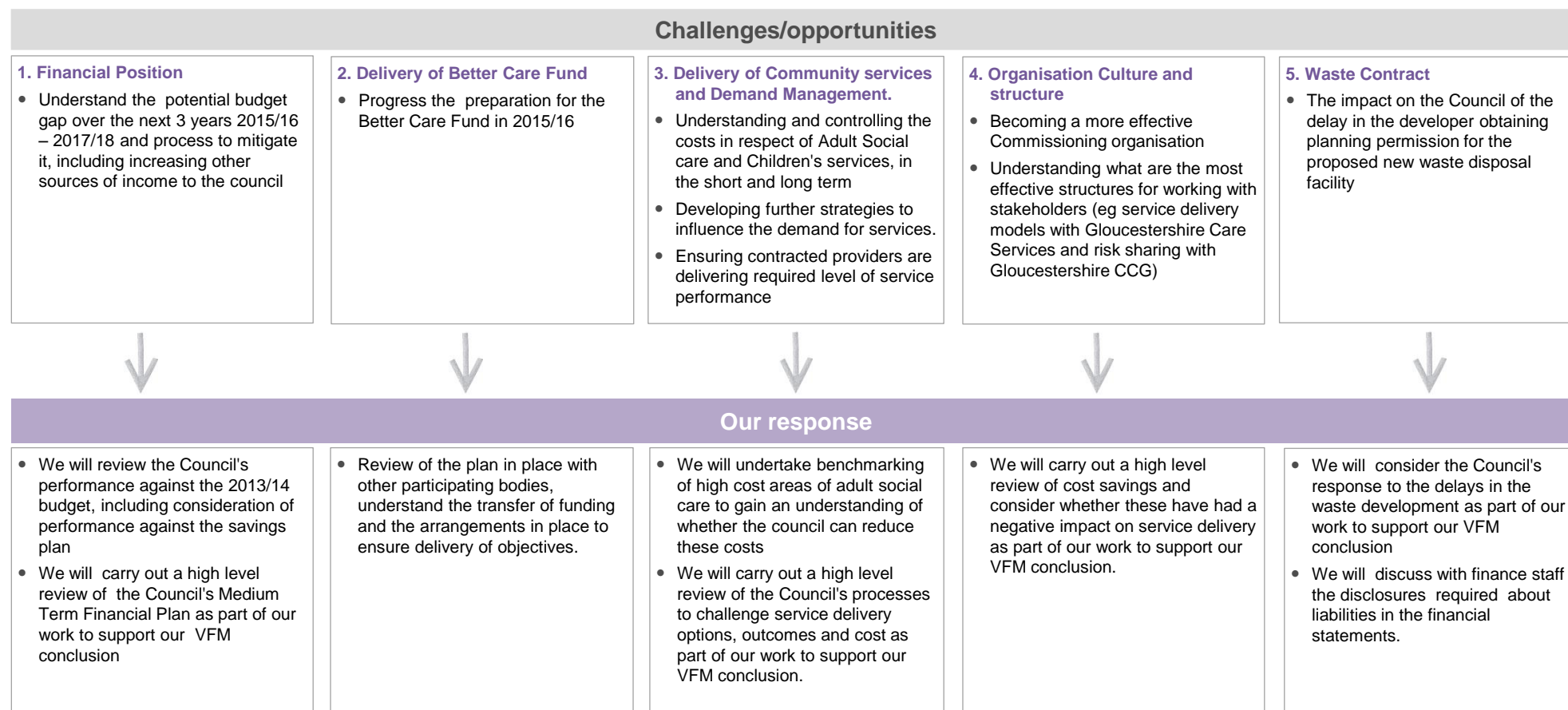
Contents

Section

1. Understanding your business
2. Developments relevant to your business and the audit
3. Our audit approach
4. An audit focused on risks
5. Significant risks identified
6. Other risks
7. Group scope and risk assessment
8. Results of interim work
9. Value for Money
10. Logistics and our team
11. Fees and independence
12. Communication of audit matters with those charged with governance

Understanding your business

In planning our audit we need to understand the challenges and opportunities the Council is facing. We set out a summary of our understanding below.



Developments relevant to your business and the audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice ('the code') and associated guidance.

Developments and other requirements

1. Financial reporting

- Changes to the CIPFA Code of Practice
- Clarification of Code requirements around PPE valuations
- Changes to NDR regulations
- Transfer of assets to Academies

3. Corporate governance

- Annual Governance Statement (AGS)
- Explanatory foreword

4. Pensions

- The impact of 2013/14 changes to the Local Government pension Scheme (LGPS)

5. Financial Pressures

- Managing service provision with less resource
- Progress against savings plans

6. Other requirements

- The Council is required to submit a Whole of Government accounts pack on which we provide an audit opinion
- The Council completes grant claims and returns on which audit certification is required

Our response

We will ensure that

- the Council complies with the requirements of the CIPFA Code of Practice through discussions with management and our substantive testing
- schools are accounted for correctly and in line with the latest guidance

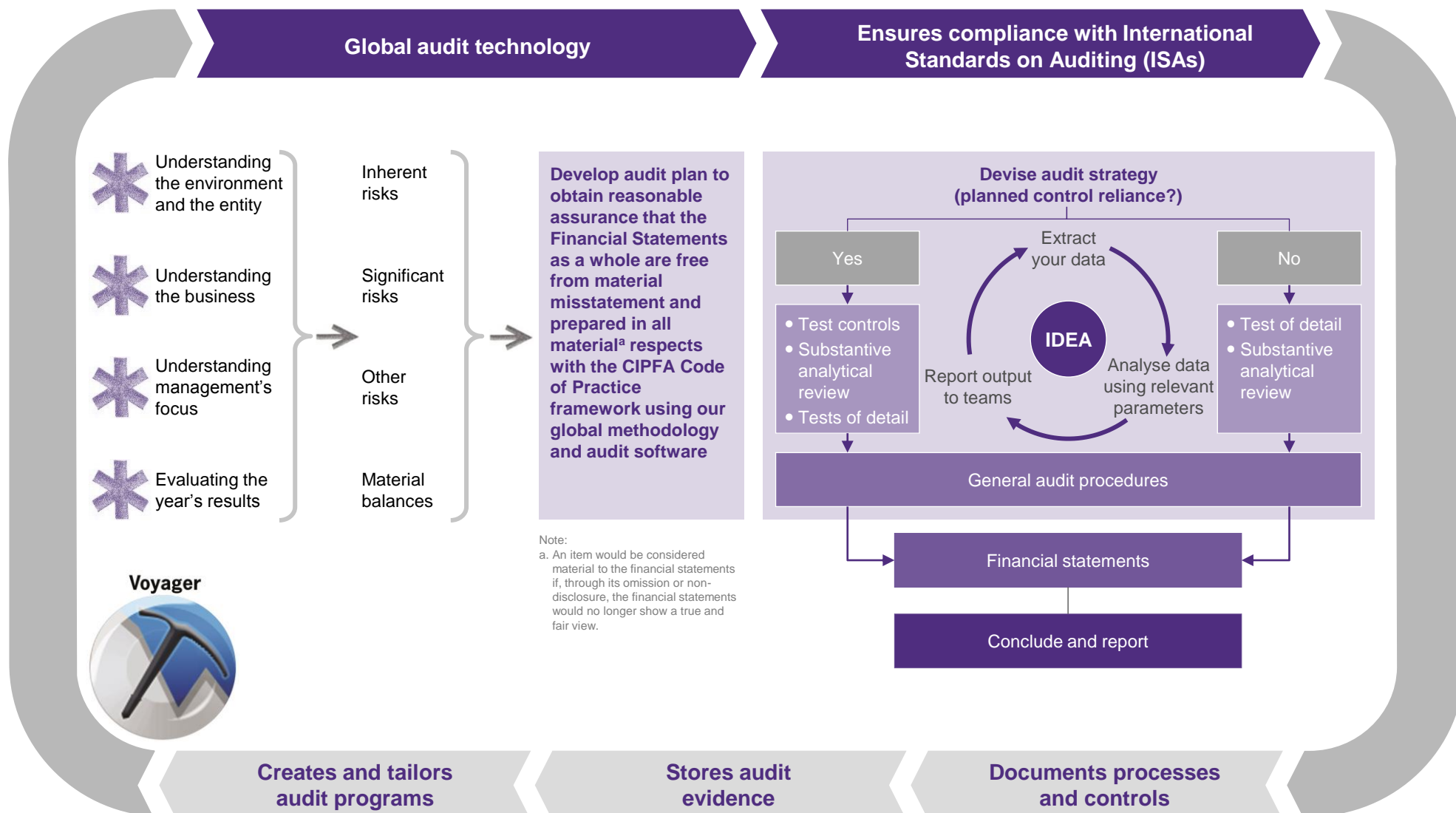
- We will review the arrangements the Council has in place for the production of the AGS
- We will review the AGS and the explanatory foreword to consider whether they are consistent with our knowledge

- We will review how the Council dealt with the impact of the 2013/14 changes through our meetings with senior management

- We will review the Council's performance against the 2013/14 budget, including consideration of performance against the savings plan
- We will undertake a review of Financial Resilience as part of our VFM conclusion

- We will carry out work on the WGA pack in accordance with requirements
- We will certify grant claims and returns in accordance with Audit Commission requirements

Our audit approach



Significant risks identified

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty' (ISA 315).

In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing – ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.	Further work planned: <ul style="list-style-type: none">• Review and testing of revenue recognition policies• Testing of material revenue streams
Management over-ride of controls	Under ISA 240 there is a presumed risk that the risk of management over-ride of controls is present in all entities.	Further work planned: <ul style="list-style-type: none">• Review of accounting estimates, judgments and decisions made by management• Testing of journal entries• Review of unusual significant transactions

Other risks identified

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other reasonably possible risks	Description	Work completed to date	Further work planned
Operating expenses	Creditors understated or not recorded in the correct period (relating to both I&E and Balance sheet assertions)	<ul style="list-style-type: none"> Document our understanding of the controls operating in the operating expenses system Performed walkthrough to confirm that controls are operating as described 	<ul style="list-style-type: none"> Test of a selection of key controls Substantive testing of operating expenditure
Employee remuneration	Employee remuneration accrual understated (relating to I&E assertions)	<ul style="list-style-type: none"> Document our understanding of the controls operating in the Employee Remuneration system Performed walkthrough to confirm that controls are operating as described 	<ul style="list-style-type: none"> Test of a selection of key controls which will reduce the amount of testing required at year end. Substantive testing of employee remuneration
Property, Plant & Equipment	Revaluation measurement not correct (relating to Balance sheet assertions)	<ul style="list-style-type: none"> Document our understanding of the controls operating in the PPE system 	<ul style="list-style-type: none"> Walkthrough of the valuation process Review of the instructions to and report from the Council's valuers to confirm process is compliant with the code. Agreement of valuations to information provided by the valuers

Value for money

Value for money

The Code requires us to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

Our VfM conclusion is based on the following criteria specified by the Audit Commission:

VfM criteria	Focus of the criteria
The organisation has proper arrangements in place for securing financial resilience	The organisation has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future
The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness	The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity

Having already successfully delivered £114m of savings in the past 3 years the Council now faces the challenge of identifying a further £75m of savings to reduce the identified budget gap over the next 3 years. At the same time the Council is working with other organisations, partners and stakeholders to improve service delivery outcomes with less resources.

We have undertaken an initial risk assessment to identify areas of risk to our VfM conclusion. We will undertake work in the following areas to address the risks identified:

- Health and Social Care Integration Transformation Fund/Better Care Fund (BCF) - Where we will review the plan in place with other participating bodies and the arrangements in place to ensure the delivery of desired outcomes.
- Waste disposal project – Where we will consider the Council's response to the risks associated with the project delay.
- Adult Social Care costs - Where we will examine the level of costs incurred by benchmarking areas of high cost with other similar Councils.

In addition, we will follow up progress on any issues discussed with the Council following last years VfM work.

The results of our VfM audit work and the key messages arising will be reported in our Audit Findings report and in the Annual Audit Letter.

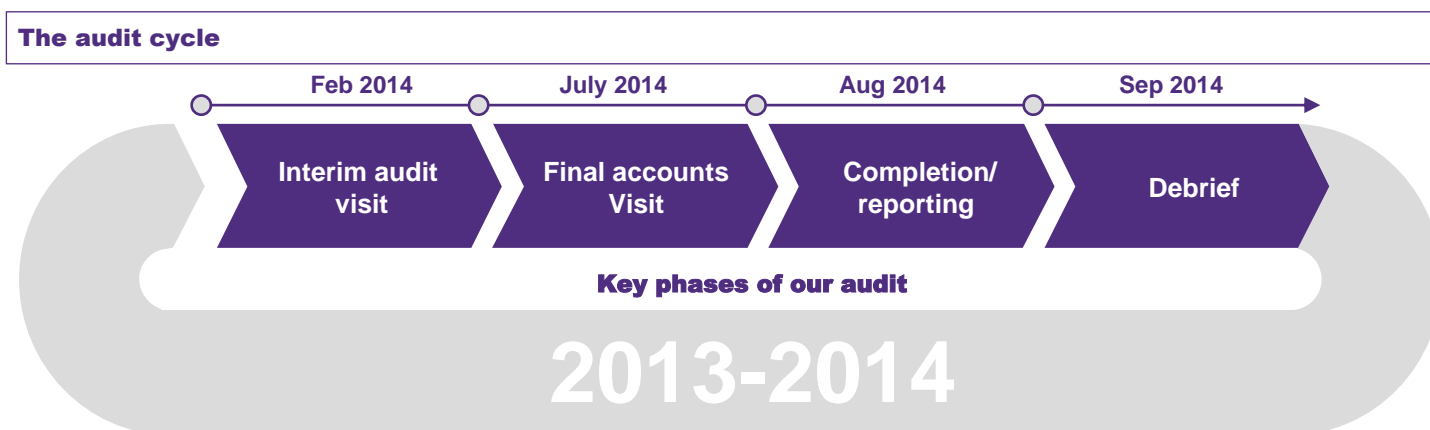
Results of interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed and findings	Conclusion
Internal audit	<p>We have reviewed internal audit's overall arrangements in accordance with auditing standards. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We also reviewed internal audit's work on the Council's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.</p>	<p>Overall, we have concluded that the internal audit service continues to provide an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment at the Council.</p> <p>Our review of internal audit work has not identified any weaknesses which impact on our audit approach.</p>
Walkthrough testing	<p>We have completed walkthrough tests of controls operating in Operating Expenditure and Employee Remuneration where we consider that there is a risk of material misstatement to the financial statements.</p> <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented in accordance with our documented understanding.</p>	<p>Our work has not identified any weaknesses which impact on our audit approach.</p> <p>Work on the PPE system will be undertaken after the 31st March 2014 when the revaluation of PPE has been completed</p>
Review of information technology controls	<p>Our information systems specialist perform a high level review of the general IT control environment, as part of the overall review of the internal controls system. They also performed a follow up of the issues that were raised last year.</p>	<p>IT (information technology) controls work is expected to be undertaken in March 2014, on agreement with officers.</p>

	Work performed	Conclusion
Journal entry controls	<p>We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.</p> <p>To date we have started detailed testing on journal transactions recorded for the first nine months of the financial year, by extracting 'unusual' entries for further review. No issues have been identified that we wish to highlight for your attention.</p>	<p>Further testing will be undertaken in late March as part of our early substantive testing visit.</p> <p>We will undertake testing on the remaining 3 months of the year and post year end as part of our final accounts visit.</p>
Early substantive testing	No early substantive testing has yet to be undertaken. It has been agreed with officers that operating expenditure testing will be undertaken in late March and then Employee Remuneration testing will be undertaken in early June.	A strategy to undertake early testing has been agreed with officers, to be undertaken before the final audit visit in July.
Value for money	An initial assessment based on prior year findings, review of current available information and our own knowledge to inform whether we undertake work on specific areas	<p>We have completed our initial risk assessment and identified 3 areas of risk which we will focus on in our detailed work. These are:</p> <ul style="list-style-type: none"> - The robustness of the process in respect of the Better Care Fund Plan - The delay in the waste project - Areas of high cost in Adult Social Care <p>We will continue to update our risk assessment between April to September to identify whether there are any developments which could effect our conclusion</p>

Key dates



Date	Activity
Jan 2014	Planning
Feb 2104	Interim site visit
11 th Apr 2014	Presentation of audit plan to Audit Committee
Jul – Aug 2014	Year end fieldwork
Sep 2014 (TBC with the DoF)	Audit findings clearance meeting with Director of Finance
26 th Sep 2014	Report audit findings to those charged with governance
26 th Sep 2014	Sign financial statements opinion

Fees and independence

Fees

	£
Council audit	130,680
Grant certification	6,250
Total fees (excluding VAT)	136,930

Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Council and its activities, have not changed significantly
- The Council will make available management and accounting staff to help us locate information and to provide explanations

Fees for other services

Service	Fees £
None	Nil

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention.

There is one matter we wish to draw to your attention which does not impact on our independence as auditors. The firm is the advisor to Urbaser Balfour Beatty who are the Council's contractor following financial close of the contract in February 2013. We have considered whether the issue is a threat to our independence and have concluded it is not.

We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings report at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirement of the Auditing Practices Board's Ethical Standards.

Communication of audit matters with those charged with governance

International Standards on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

Respective responsibilities

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit plan	Audit findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issue arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged.		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓



© 2014 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' means Grant Thornton UK LLP, a limited liability partnership.

Grant Thornton is a member firm of Grant Thornton International Ltd (Grant Thornton International). References to 'Grant Thornton' are to the brand under which the Grant Thornton member firms operate and refer to one or more member firms, as the context requires.

Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered independently by member firms, which are not responsible for the services or activities of one another. Grant Thornton International does not provide services to clients.

grant-thornton.co.uk